

AMENDED IN SENATE JULY 9, 1997
AMENDED IN ASSEMBLY JUNE 2, 1997
AMENDED IN ASSEMBLY MAY 12, 1997

CALIFORNIA LEGISLATURE—1997–98 REGULAR SESSION

ASSEMBLY BILL

No. 489

**Introduced by Assembly Member Figueroa
(Principal coauthor: Assembly Member Cunneen)**

February 24, 1997

An act to amend Section 10209.3 of, and to add Section 10113.4 to, the Insurance Code, relating to life insurance.

LEGISLATIVE COUNSEL'S DIGEST

AB 489, as amended, Figueroa. Life insurance.

(1) Existing law does not generally regulate the inclusion of incontestability clauses in life insurance policies that provide that coverage is incontestable on the grounds of suicide for a period of time after the policy is in effect, except in the case of fraternal benefit societies. Existing law provides for viatical settlements in which the owner of life insurance transfers rights in exchange for compensation less than the death benefit.

This bill would provide that if a group life insurance policy contains a provision that makes a certificate holder's coverage contestable on the grounds of suicide for a period following commencement of coverage, only the unexpired portion of that period shall be applied to a certificate holder's individual conversion policy of an equal or lesser amount of coverage.

(2) Existing law provides that a person insured under a group life insurance policy may make to any person, other than the policyholder, an assignment of all or any part of the incidents of ownership conferred on him by the policy or by law, but existing law provides that this right is subject to the terms of the policy, or an agreement between the insured, the group policyholder, and the insurer.

This bill would provide that a person diagnosed with a terminal illness has a right to make an absolute assignment for value of his or her interest in life insurance.

The bill would require the Department of Insurance to adopt regulations that assure that the spouse of a terminally ill person who elects to viaticate a life insurance policy is notified of the viatification.

Vote: majority. Appropriation: no. Fiscal committee: ~~no~~ yes. State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. Section 10113.4 is added to the Insurance
2 Code, to read:

3 10113.4. If a group life insurance policy contains a
4 provision that makes a certificate holder's coverage
5 contestable on the grounds of suicide for a period
6 following commencement of coverage, only the
7 unexpired portion of that period shall be applied to a
8 certificate holder's individual conversion policy of an
9 equal or lesser amount of coverage.

10 SEC. 2. Section 10209.3 of the Insurance Code is
11 amended to read:

12 10209.3. (a) Subject to the terms of the policy, or
13 pursuant to an agreement between the insured, the
14 group policyholder, and the insurer, any person insured
15 under a group life insurance policy may make to any
16 person, other than the policyholder, an assignment of all
17 or any part of the incidents of ownership conferred on
18 him or her by the policy or by law, including specifically,
19 but not by way of limitation, the right to exercise the
20 conversion privilege and the right to name a beneficiary.



1 The enactment of this section made at the 1969 Regular
2 Session of the Legislature does not constitute a change in,
3 but is declaratory of, the existing law.

4 (b) Notwithstanding subdivision (a), any person who
5 has been diagnosed with a terminal illness shall have the
6 right to make an absolute assignment for value of his or
7 her interest in a policy or certificate of life insurance.

8 (c) The right of assignment in subdivision (b) shall not
9 extend to situations in which the benefits of the policy or
10 certificate of life insurance are used as collateral for a
11 loan.

12 (d) *The department shall adopt regulations that*
13 *assure that the spouse of a terminally ill person who elects*
14 *to viaticate a life insurance policy is notified of the*
15 *viatication.*

